



**RCA  
CITY OF AUSTIN  
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 7  
AGENDA DATE: Thu 01/29/2004  
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**SUBJECT:** Approve a resolution to authorize the Housing Authority of Travis County, Texas to undertake a single family lease-to-own housing project within the city limits of the City of Austin to provide decent, safe, and sanitary housing that is affordable for low- to moderate-income residents, and to authorize the negotiation and execution of a three year Cooperative Agreement with the Housing Authority of Travis County with respect to the proposed housing project that will expire January 15, 2007.

**AMOUNT & SOURCE OF FUNDING:** N/A

**FISCAL NOTE:** There is no unanticipated fiscal impact. A fiscal note is not required.

**REQUESTING** Neighborhood Housing      **DIRECTOR'S**  
**DEPARTMENT:** and Community              **AUTHORIZATION:** Paul Hilgers  
Development

**FOR MORE INFORMATION CONTACT:** Paul Hilgers, Community Development Officer,  
Neighborhood Housing and Community Development, 974-3108.

**PRIOR COUNCIL ACTION:** N/A

**BOARD AND COMMISSION ACTION:** N/A

**PURCHASING:** N/A

**MBE / WBE:** N/A

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The State of Texas Local Government Code, Section 392.017 (b) requires that the governing body of a municipality adopt a resolution declaring a need for a housing authority to undertake a housing project within the municipality. Section 392.059 of the Local Government Code defines the Cooperation Agreement that will be executed between the housing authority and the local municipality. The Cooperation Agreement will define and regulate the terms of the proposed housing. Included in the terms of the Cooperation Agreement will be the provision requiring the project to be S.M.A.R.T. Housing™ compliant for all new construction within the city limits of the City of Austin.

The Housing Authority of Travis County, Texas, is proposing to initiate a Single Family Lease-to-Own Housing Project.

Objective of the housing project:

- Provide residential opportunities for tenants who can afford monthly lease payments but do not have adequate savings to make a down payment and pay closing costs;
- Create alternative affordable homeownership opportunities for low- and moderate-income tenants limited to borrowing in sub-prime markets;
- Allow prospective homeowners to establish or re-establish their credit reputations during the lease



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period.

- Promote neighborhood stability through homeownership.

**Participants**

- The Authority
  - Manages the program
  - Issues tax-exempt bonds
- The Lenders:
  - Originate the lease-purchase mortgages
  - Advance funds for down payment and closing costs
  - Sell program loans to the Master Servicer
- The Lessee/Tenant(s):
  - Makes monthly lease payments to Authority
  - Qualifies to assume loan by the end of lease period.
- The Master Servicer:
  - Purchase program loans from lenders.
  - Reimburses lenders for down payment assistance.
  - Creates FHLMC securities.
  - Sells the securities to the Authority's bond trustee.
  - Services loans.
  - Processes loan assumptions.
- The Bond Trustee:
  - Holds the bond proceeds:
  - Series A Bonds used to purchase Freddie Mac securities backed by lease-purchase mortgages.
  - Series B Bonds used to advance down payment, pay cost of issuance, and offset Authority's administrative costs.

**PROJECT CHARACTERISTICS**

RCA Serial#: 4196 Date: 01/29/04 Original: Yes  
Disposition:

Published:  
Adjusted version published:



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- Eligible tenant locates property, applies to participate in the housing project, and pays a non-refundable commitment fee equal to the lesser of 1% of the purchase price or an amount established by the Authority.
- Issuer, as mortgagor of record on the house, uses bond proceeds to purchase the subject property, advance the down payment and closing costs, and offset related administrative costs.
- Issuer enters into lease agreement with tenant for a three-year period. Purchase price and interest rate are fixed at the time of origination.
- Issuer advances as much as 7.5% for down payment and closing cost assistance.
- Tenant makes lease payment in an amount necessary to cover mortgage payment, taxes, insurance, and program fees.
- Tenant is subject to annual property inspection and credit report review during lease period.
- No mortgage interest deduction can be claimed for income tax purposes until after house is acquired.
- Tenant need not qualify for a mortgage at lease inception; can establish or even re-establish credit reputation during lease period.
- If the initial tenant leaves or is evicted during the course of the lease period, the property manager will replace the tenant with another qualified lease-purchaser.
- At the end of the three-year lease period, the Issuer determines fair market value and assigns the home to the tenant who assumes the outstanding mortgage obligation. If fair market value exceeds original purchase price, a second mortgage may be required.
- To exercise option to assume, tenant must have maintained lease payments and be a qualified Freddie Mac mortgagor.
- Tenant can terminate lease at any time or choose not to exercise option to assume.
- First mortgage refinancing permitted after assumption. No repayment of down payment or closing cost assistance necessary.

Project location, home design, and financial institutions providing mortgage services will be determined as the housing project is developed. Housing projects may be designed to include any or all of the following: rehabilitation projects, new construction on existing lots (infill), and new construction in new subdivision developments.

By this action the Austin City Council will authorize the Housing Authority of Travis County, Texas to exercise its powers in the territorial boundaries of the City of Austin by undertaking the proposed housing project to provide homeownership opportunities to low- and moderate-income families subject to certain limitations. The City Council will also authorize the City Manager to negotiate and execute a Cooperation Agreement between the City of Austin and the Housing Authority of Travis County, Texas, which will define the terms and conditions under which the Housing Authority of Travis County may



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develop affordable housing within the corporate limits of the City of Austin.

**RESOLUTION NO. 040129-7**

**WHEREAS**, the Housing Authority of Travis County (the "Authority") desires to implement a Single Family Lease-to-Own Housing Project, a part of which is planned to be undertaken within the city limits of the City of Austin (the "Housing Project");

**WHEREAS**, section 392.017(a), Texas Local Government Code prohibits the Authority from undertaking any housing project within the city limits of the City of Austin unless the City Council declares a need for, authorizes implementation of the housing project and enters into a cooperation agreement with respect to the housing project under section 392.059, Texas Local Government Code; and

**WHEREAS**, the proposed Housing Project will provide needed, unduplicated housing opportunities for tenants and future homeowners in the jurisdiction of the Authority as well as within the city limits of the City of Austin; **NOW, THEREFORE**,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

There is a need for the Authority to exercise its powers within the city limits of the City of Austin with respect to the Housing Project, provided that:

1. The total number of dwelling units assisted by the Housing Project in the city limits of the City of Austin may not exceed 250 dwelling units.
2. Each newly constructed dwelling unit assisted by the Housing Project within the city limits of the City of Austin must comply with the City of Austin S.M.A.R.T. Housing™ Program.
3. The maximum income of families assisted by the Housing Project within the city limits of the City of Austin is limited to one-hundred fifteen percent (115%) of the City of Austin Metropolitan Area Median Family Income.
4. The initial lease-up of any dwelling unit in the Housing Project within the city limits of the City of Austin will occur on or before 29 January 2007.

The Authority is authorized to exercise its powers in undertaking the Housing Project subject to the terms and conditions set forth above and as further described in a cooperation agreement entered into with the Authority

within the city limits of the City of Austin.

The City is authorized to enter into a cooperation agreement with the Authority under section 392.059, Texas Local Government Code which sets forth the terms and conditions for the Authority to undertake the Housing Project within the city limits of the City of Austin.

The City Manager or the City Manager's designee is authorized to prepare, execute, attest and deliver such cooperation agreements, documents, certifications, instruments, written requests and other papers as may be favorable, necessary, or required to carry out or assist in carrying out the purposes of this Resolution.

**ADOPTED:** January 29, 2004

**ATTEST:** \_\_\_\_\_

Shirley A. Brown  
City Clerk